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SERVICE SECTOR INDICATORS

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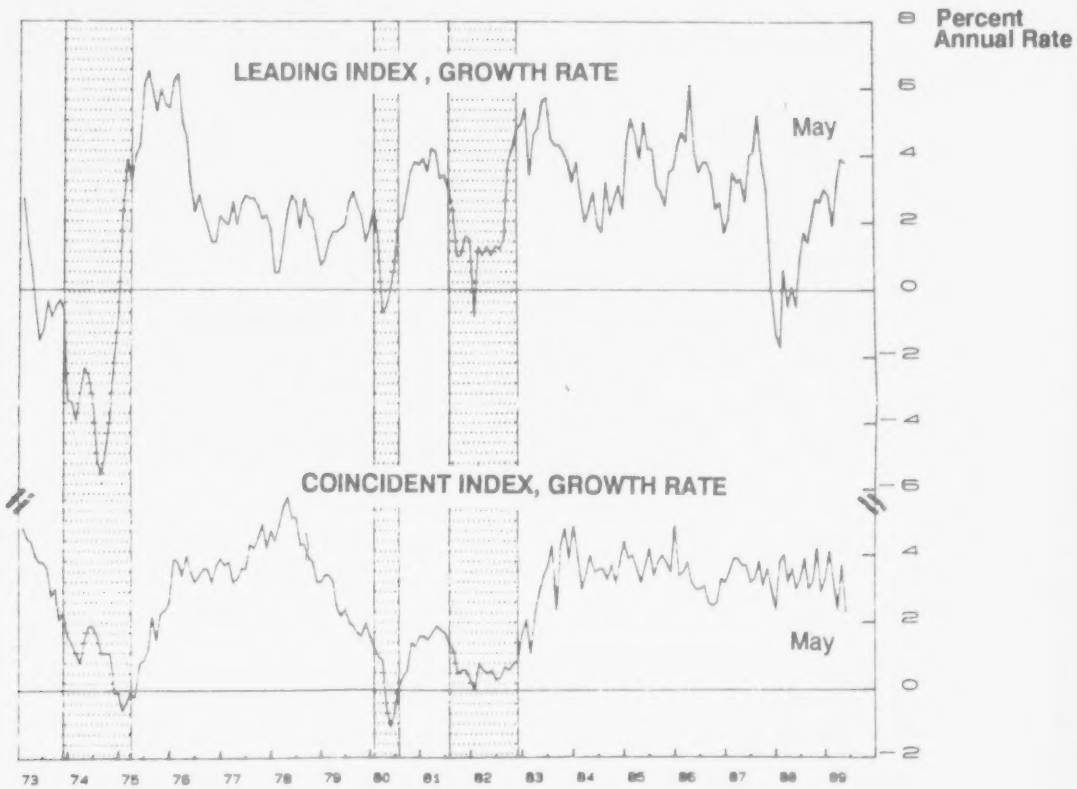
OPTIMISTIC OUTLOOK FOR SERVICES

The leading index of service sector activity rose again in May, but at a slightly slower annualized growth rate of 3.8%. It was pushed up by a rise in construction contracts for commercial buildings, and higher stock prices and profit margins in services, which were offset by a small drop in the average workweek in the service sector.

The coincident index of service sector activity fell back a little, while its annualized growth rate dropped to a moderate 2.3% in May. It was pulled down by decreases in employee hours and labor income in services, which were offset by a rise in personal consumption expenditures in the service sector.

On balance, the service sector appears set for continued steady growth.



Shaded areas represent business cycle recessions.

LEADING INDEX OF SERVICES, AND COMPONENTS

	Leading Index (1967=100)	Leading Index Growth Rate (%)	Average Workweek, Services (hours)	Construction Contracts, Commercial Buildings (mil. sq. ft., ann. rate)	S&P Stock Price Index, Services, (Mar. 87=100)	Index of Profit Margins, Services (1982=100)
	1.	2.	3.	4.	5.	6.
1988:						
Jan.	147.2r	-1.7r	32.84r	739r	82.3	111.5r
Feb.	149.2r	0.6r	32.98r	907r	86.0	113.1r
Mar.	148.4r	-0.5	32.69r	825r	87.5	113.0r
Apr.	149.0r	0.1r	32.93r	805r	85.3	112.4r
May	148.6	-0.5r	32.78r	812r	83.0	112.6
June	149.8	0.9r	32.82	810r	89.2	113.4r
July	150.5r	1.7r	33.00r	829r	88.7	113.1r
Aug.	150.3r	1.4r	32.76r	852r	87.9	114.2r
Sept.	150.8	2.1r	32.88r	796r	91.0	113.4
Oct.	151.3	2.7r	32.96r	764r	94.3	112.5r
Nov.	151.3r	2.6r	32.77r	786r	91.7	114.4r
Dec.	151.9	3.0r	32.91r	782r	92.9	113.8r
1989:						
Jan.	152.1r	2.8r	32.95r	839r	95.2	111.7r
Feb.	151.8r	1.9r	32.75	658r	98.7	113.2r
Mar.	153.0r	3.1r	32.81r	746r	98.5	114.6r
Apr.	154.0	3.9r	33.07r	706r	102.5	113.6r
May	154.4	3.8	32.78	797	108.0	114.8

COINCIDENT INDEX OF SERVICES, AND COMPONENTS

	Coincident Index (1967=100)	Coincident Index Growth Rate (%)	Services Output, GNP (bil. 1982$, ann. rate)	Services, Personal Consumption Expenditures (bil. 1982$, ann. rate)	Services Labor Income (bil. 1982-84$ ann. rate)	Service Employee Hours (bil., ann. rate)
	7.	8.	9.	10.	11.	12.
1988:						
Jan.	180.0r	3.8r	1829.7	1260.7	667.3r	106.6
Feb.	180.7r	4.0r	1833.4	1268.2	666.2r	107.6
Mar.	180.5r	3.2r	1837.6	1269.0	664.6r	107.0
Apr.	181.3r	3.6	1841.9	1269.4	668.5r	108.1
May	181.2r	3.0	1846.1	1272.0	667.0r	107.8
June	182.0r	3.3r	1851.7	1283.1	667.0r	108.5
July	183.1r	3.9r	1857.2	1285.9	672.2r	109.7
Aug.	182.8r	3.0r	1862.8	1292.3	667.4r	108.9
Sept.	183.4	3.2r	1868.3	1288.5	674.2r	109.2
Oct.	184.9r	4.2r	1873.7	1304.2	680.3r	110.3
Nov.	184.2r	2.9r	1879.2	1300.0	672.6r	110.0
Dec.	185.1r	3.3r	1881.6r	1302.6	678.5r	110.8
1989:						
Jan.	186.4r	4.1r	1884.1r	1302.9r	693.2r	111.5
Feb.	186.1r	3.2r	1886.5r	1313.6r	683.7r	111.2
Mar.	185.8r	2.4r	---	1316.8r	679.9r	111.2r
Apr.	187.5r	3.7r	---	1320.4r	688.7r	112.5r
May	186.7	2.3	---	1328.0	681.9	111.5

Note: Cols. 2 and 8. The growth rates are six-month smoothed percent changes at annual rate, based on the ratio of the current month's index to the average for the preceding twelve months.
Cols. 1, 2 and 6 are revised because of revisions in the experimental services output index.
r = revised.

Sources: 3. Bureau of Labor Statistics, Production and non-supervisory workers.
4. McGraw-Hill Company, F.W. Dodge Division. Seasonally adusted by CIBCR.
5. Standard & Poor's Corporation indexes for 13 service industries, compiled by CIBCR.
6. This series is constructed by CIBCR using the price deflator for services consumption, labor income, and an experimental monthly services output index developed by the Federal Reserve Board.
9, 10. Department of Commerce, Bureau of Economic Analysis. Quarterly data for output are interpolated by CIBCR.
11. Bureau of Labor Statistics. Payroll index, 1977 = 100, converted to 1982-84 dollars by CIBCR, using CPI, All Urban Consumers, seasonally adjusted.
12. Bureau of Labor Statistics, all employees.